

Summary

Main Features

ABOUT THIS PUBLICATION

This publication presents the results of a study of the effects of taxation and government expenditure on the distribution of income among private households in Australia in 2009–10. Previous studies were conducted in relation to 1984, 1988–89, 1993–94, 1998–99 and 2003–04.

CHANGES IN THIS ISSUE

The 2009–10 study follows the methodology used in the 2003–04 study, but with the following improvements:

- a more comprehensive measure of private income, including the net imputed rent for owner occupied dwellings and the net benefit that can be attributed to households living in subsidised private rentals
- improvements to the allocation of social transfers in kind for health benefits, housing benefits and child care assistance
- inclusion of electricity concessions provided by State and territory governments for the first time
- improvements to the methodology for estimating taxes on production for ownership of dwellings
- an increase in the sample size of the Household Expenditure Survey (HES) from 6,957 in 2003–04 to 9,774 in 2009–10. Additional changes included the incorporation of non-cash benefits used by employees to improve the coverage of consumption and the inclusion of disability questions for persons aged 15 years and over.

Some changes have also been made to the content of the publication:

- time series data have been included in the first two tables showing a comparison of the results from the 2003–04 and 2009–10 studies
- social transfers in kind for the Private Health Insurance Rebate (PHIR) are shown separately as a component of health benefits
- social transfers in kind for child care are shown separately as a component of social security and welfare benefits
- other taxes on production has been renamed to other goods and services
- addition of a table on financial stress indicators.

EFFECTS OF ROUNDING

Where figures have been rounded, discrepancies may occur between sums of the component items and totals. Published percentages are calculated prior to rounding of the figures and therefore some discrepancy may exist between these percentages and those that could be calculated from rounded figures.

INQUIRIES

For further information about these and related statistics, contact the National Information and Referral Service on 1300 135 070 or Living Conditions on Canberra (02) 6252 6174, email <living.conditions@abs.gov.au>

Summary of Findings

SUMMARY OF FINDINGS

INTRODUCTION

This publication presents the results of a study of the effects of government benefits and taxes on the distribution of income among private households in Australia in 2009–10.

Benefits and taxes included in the study were restricted to those that are relatable to particular types of households and household expenditure. Household income is increased directly by the Australian government through social assistance benefits in the form of cash payments, such as the age pension and family tax benefit, and indirectly by government expenditures such as those on health and education. On the other hand, household income is reduced by taxes on personal income (direct taxes) and by taxes on production (indirect taxes) passed on in the prices households pay for goods and services.

The study excludes government taxes and expenditure that do not relate directly to particular types of households or household expenditure, such as government revenue from corporate taxes and spending on defence, public order and safety, transport and communications.

The most restricted concept of income used in the study is referred to as private income, while the most extensive is final income. **Private income** is all current receipts, whether monetary or in kind, received excluding social assistance benefits in cash. Private income includes wages and salaries, profit/loss from own unincorporated business, net investment income and private transfers. It also includes net imputed rent for owner occupied dwellings and for subsidised private rentals to allow for more meaningful comparisons of the income circumstances of people living in different tenure types.

Gross income is the sum of private income and Australian government social assistance benefits in cash (direct Australian government benefits) such as age pension, disability support pension, Veterans' Affairs pension, family tax benefit, parenting payment, unemployment and student allowances. **Disposable income** is derived by subtracting estimates of taxes on personal income from gross income.

The value of government social transfers in kind for education, health, housing, social security and welfare, and electricity concessions and rebates (indirect benefits) is added to disposable income to derive **disposable income plus social transfers in kind**. **Final income** is equal to disposable income plus social transfers in kind less taxes on production.

Equivalised household income is derived by applying an equivalence scale to income thereby taking into account households of different sizes and composition. When household income is adjusted using an equivalence scale, the equivalised income can be viewed as an indicator of the economic resources available to a standardised household. In this study, an equivalence scale has been applied to the estimates of household private, disposable and final income.

The methodology, including the assumptions, used in this study is provided in the Explanatory Notes and in Appendices 4 and 5. The results are dependant on the assumptions that are inherent in the methodology.

GOVERNMENT BENEFITS AND TAXES ALLOCATED

The aim of the study has been to allocate only those benefits and taxes relatable to particular types of households. Of the total Commonwealth, state and local government taxation revenue in 2009–10, the study allocated taxes of \$194,186 million out of \$315,689 million or 62% of total government revenue. In relation to total government expenditure, the study allocated \$233,989 million in benefits to households out of \$459,650 million or 51% of total government expenditure.

The unallocated amounts mainly reflect taxation and government expenditure that are not conceptually relatable to individual households, but they also reflect the lack of suitable indicators on which to allocate some taxation revenue, such as capital gains tax, and some benefits.

In addition, an apparent underreporting by households of some expenditures, including highly taxed products, such as gambling, alcohol and tobacco, resulted in about \$23 billion of government taxation revenue unallocated.

More benefits than taxes were allocated in the current study so that on average, benefits exceed taxes. This outcome is not significant in itself as there is not a direct correspondence between the level of government benefits provided to any sector and the means used to finance those benefits.

In 2009–10, average total government benefits were 20% higher in real terms than in the 2003–04 study (\$534 and \$445 per week, respectively, for all households). Most of the increase in benefits was due to the 26% increase, in real terms, in social transfers in kind received by households (\$357 in 2009–10 compared with \$283 in 2003–04). Government cash payments increased by 9% in real terms in the same period. There was no significant change in average total taxes, in the 2009–10 study compared to the 2003–04 study (Table 2).

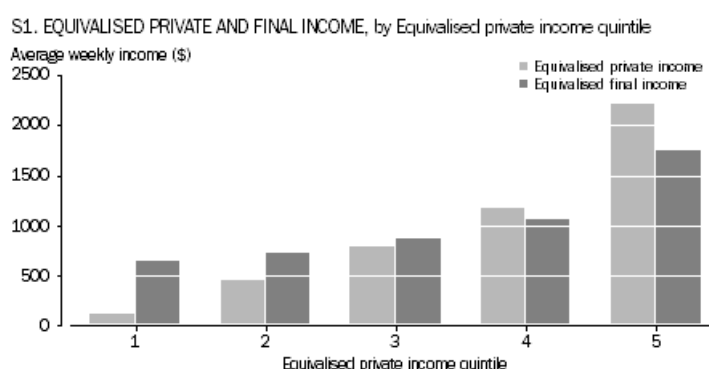
INCOME REDISTRIBUTION

In 2009–10, households received, on average, \$91 more in total government benefits (social assistance benefits in cash and social transfers in kind) than they paid in taxes, giving an average final income of \$1,704 per week compared to average private income of \$1,613 per week (Table 3).

The effects of different benefits and taxes vary with the level of household income. Low income households receive more social benefits in cash and social transfers in kind and pay less taxes than high income households. Social assistance benefits in cash and social transfers in kind increase with household size and decrease as levels of household income rise. The net effect of benefits and taxes is to increase the average income of households in the lower income groups, and decrease the average income of households in the higher income groups.

The redistribution of income from high to low income households can be seen by analysis of equivalised private income quintile groups (Graph S1). Equivalised private income quintile groups are formed by ranking households based on the level of their private income, after adjusting for the size and composition of the household. If no adjustment is made for size and composition, larger households tend to appear in the higher quintile groups as no account is taken of the need for their income to support a larger number of people.

The net effect of benefits and taxes, as shown in this study, was to increase the average income of households in the three lower quintiles and decrease the average income of households in the two higher quintiles. In the lowest quintile, average equivalised private income was \$117 per week and average equivalised final income was \$641 per week. In the highest quintile, the average equivalised private income was \$2,216 per week and average equivalised final income was \$1,747 per week (Table 3).



Within the lowest equivalised private income quintile, the share of income received by households increased from 2% using the equivalised private income measure to 13% using the equivalised final income measure. For households in the highest quintile, the income share decreased from 46% for equivalised private income to 35% for equivalised final income (Table S2).

Both social assistance benefits in cash and social transfers in kind decreased as levels of household income rose. The lowest equivalised private income quintile received 58% of social benefits in cash and 30% of social transfers in kind whereas the highest quintile received 2% of social assistance benefits in cash and 14% of social transfers in kind.

The payment of taxes on income and, to a lesser extent taxes on production, increase with income. Households in the lowest quintile paid 0.1% of total taxes on income while households in the highest quintile paid 61%. For taxes on production, households in the lowest quintile paid 14% while households in the highest quintile paid 31%.

S2. DISTRIBUTION OF HOUSEHOLD INCOME, BENEFITS AND TAXES, by Equivalised private income quintile

	EQUIVALISED PRIVATE INCOME QUINTILE					All households(a)
	Lowest quintile	Second quintile	Third quintile	Fourth quintile	Highest quintile	
	%	%	%	%	%	%
Private income	3	9	16	24	48	100
Benefits						
Social assistance benefits in cash	58	26	10	4	2	100
Social transfers in kind	30	22	18	15	14	100
Total	39	24	16	12	10	100
Taxes						
Taxes on income	-	4	12	23	61	100
Taxes on production	14	15	18	22	31	100
Total	6	9	14	23	49	100
Final income	13	14	16	21	36	100

Equivalised private income	2	10	17	25	46	100
Equivalised final income	13	14	17	21	35	100

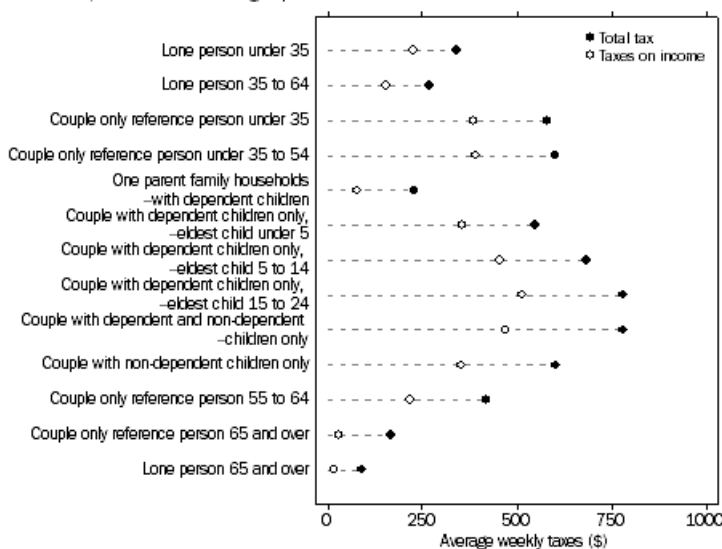
- nil or rounded to zero
(including null cells)
(a) Includes households with
zero or negative income

DIFFERENCES BETWEEN HOUSEHOLD GROUPS

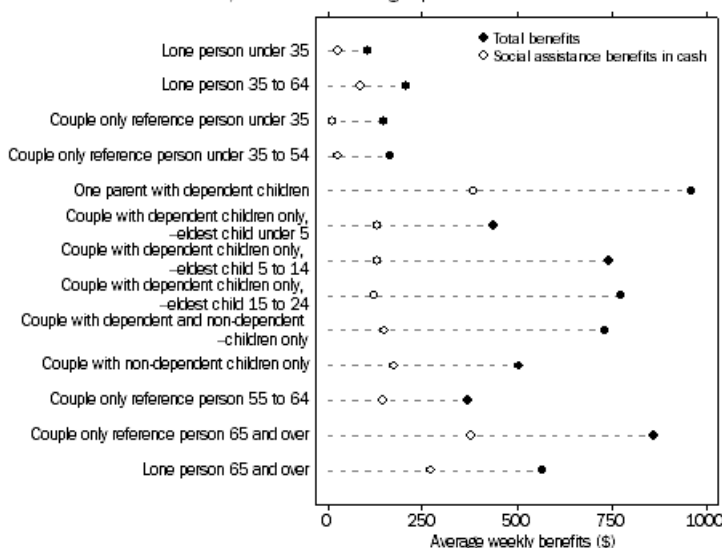
The system of government benefits and taxes in Australia has been designed to assist those in the community who are most in need of financial support. The allocation of benefits and taxes differs between households, reflecting that characteristics such as household composition, life cycle stages, household size and income have an impact on these allocations. Graphs S3 and S4 show the total taxes (taxes on income and taxes on production) paid and total benefits (social assistance benefits in cash and social transfers in kind) received on average by selected household groups.

Graph S5 gives an indication of the extent of the redistributive impact between different household groups in the population, by comparing equivalised private income and equivalised final income for the same household groups. The measures are equivalised to take into account the differing size and composition of households, providing a better indication of the effect of government benefits and taxes on the relative economic wellbeing of these households.

S3. TAXES, selected household groups



S4. GOVERNMENT BENEFITS, selected household groups



Lone person households, under 65 years

There were 1.3 million lone person households aged under 65 years in this study (0.3 million under 35 years, and 1.0 million 35 to 65 years). In these households, average social assistance benefits in cash tend to be low. This relates to the absence of children (and therefore family tax benefit and parenting payment) and the high employment levels in these households. Social transfers in kind also tend to be low on average in these households.

because household size is small, the members do not usually receive school benefits and, due to their age, use of health services is lower. In the 25–34 and 35–44 age ranges, average taxes paid exceeded benefits received by over \$200 per week. However, in the 55–64 year age range average benefits received exceeded taxes paid. This was mainly due to an increase in social assistance benefits in cash and health benefits (Table 34).

Couple only households, reference person under 65 years

For the 1.5 million couple only households, where the reference person was under 65 years, households paid, on average, more in total taxes than they received in total benefits (\$528 compared to \$235). For this household group, equivalised final income was lower than equivalised private income (\$1,102 compared to \$1,299) (Table 32).

One parent households with dependent children

The 518,500 one parent households with dependent children had higher net benefits (total benefits less total taxes) than any of the selected household groups. Households in this group received very high levels of social assistance benefits in cash, consisting mainly of family tax benefit and parenting payment. The average value of social assistance benefits in cash for this group was \$384 per week compared to \$177 per week for all households. About half of these households had government pensions and allowances as their main source of income, while 41% received most income from wages and salaries. Social transfers in kind were also relatively high (\$577 per week) because of high use of education services, health services and social security and welfare services (Tables 30 and 31).

Taxes on income and taxes on production were both low, since both income and expenditure were low. Total taxes averaged \$229 per week of which \$79 per week was taxes on income.

The average weekly equivalised private income of one parent households with dependent children was 36% of the average weekly equivalised private income of couple households with dependent children. However due to higher net benefits, the average equivalised final income of this group was a much higher proportion of the average for both couple households with dependent children (78%) and for all households (80%).

Couple households with dependent children

Couple with dependent children households (2.2 million households) received, on average, higher levels of social assistance benefits in cash and social transfers in kind than couple only households where the reference person was under 65 years of age. Social assistance benefits were higher because the households tend to be eligible for family tax benefit, parenting payment and other benefits such as student allowances. Social transfers in kind were also higher. These households received greater education and health benefits due to the increase in household size as well as child care assistance and other social security and welfare benefits (Table 28).

However, as the average private income of these households was relatively high at \$2,359 per week, they also paid more taxes on income and with higher expenditures, paid more taxes on production than the average for all households. After taking account of household size and composition, the equivalised private and final household income of couples with dependent children were very similar (\$1,027 and \$1,037 per week, respectively) just slightly higher than the average for all households.

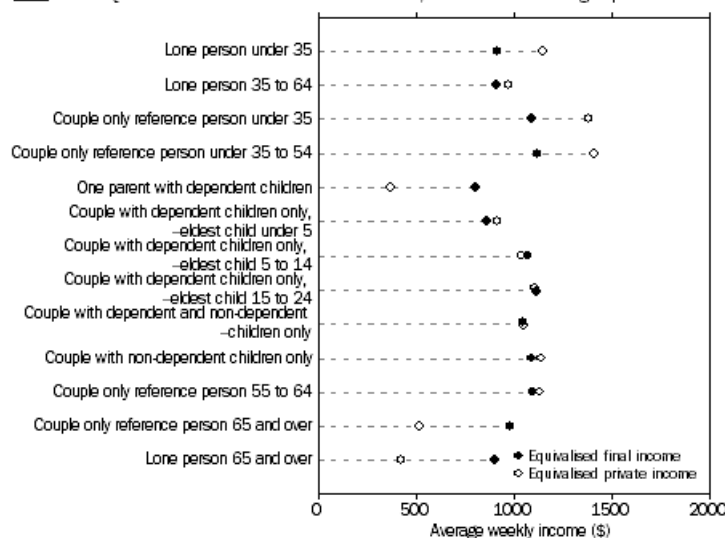
Couple households with non-dependent children only

Households consisting of couples with non-dependent children only (496,000 households), received slightly more social assistance benefits in cash than couple households with dependent children (\$176 and \$135 respectively). In these households there were, on average, 2.2 employed persons and wages and salaries were the main source of income for 79% (Table 25). Social transfers in kind were lower than couple households with dependent children because fewer household members used education services. Levels of income and expenditure were both high, resulting in higher taxes on income and taxes on production. On average, couple households with only non-dependent children paid about \$100 more in taxes than they received in benefits. Their equivalised private household income averaged \$1,141 per week while their average equivalised final household income was not significantly different at \$1,094 per week (Table 24).

Lone persons and couple only households, reference person 65 years and over

There were 1.5 million lone person and couple only households aged 65 years and over in 2009–10. In these households, average weekly equivalised private income was \$521 for couples where the reference person was 65 years and over, and \$425 for lone persons 65 years and over. However, these households received average weekly net benefits (total benefits less total taxes) of \$691 and \$475, respectively, while taxes paid were relatively low (Table 24).

Therefore, while equivalised private income was amongst the lowest of any household group, their equivalised final income was relatively higher. For couples where the reference person was 65 years or over, equivalised final income was \$981 and for lone persons \$900. These were 97% and 89% respectively of the average equivalised final income of all households.



STATES AND TERRITORIES

The allocation of government benefits and taxes varied across states and territories.

Estimates of social transfers in kind by state and territories may not be entirely accurate, since for some components the allocation does not take into account the varying expenditure by state and territory governments. In addition, there may be some inconsistencies in the classification of government expenditure by state governments in the source data, which could impact on comparability.

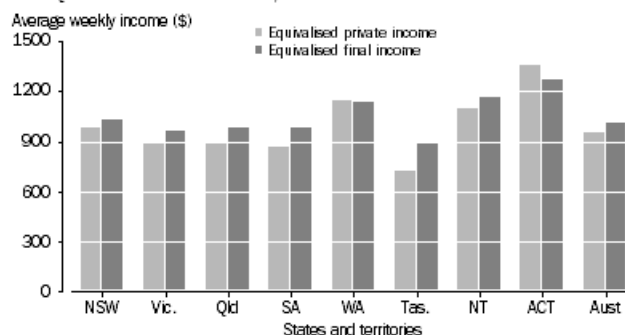
In this study, households in the Australian Capital Territory (ACT) received the lowest average total benefits and paid the highest total taxes. Taxes paid exceeded benefits received by an average of \$157 per week. By comparison, households in Tasmania received the highest average total benefits and paid the lowest total taxes. Benefits received exceeded taxes paid by \$269 per week (Table 40).

Average income also varied between states and territories. Average private income was highest in the ACT and WA. Average equivalised private income in the ACT was 42% higher than the average for Australia. Average equivalised final income, while still significantly higher than the Australian average, was only 25% higher, reflecting the net taxes paid by ACT households. Similarly in WA, equivalised private income was 20% higher than the Australian average and equivalised final income, 12% higher than the Australian average. In Tasmania, which had the lowest average income, equivalised private income was 24% below the Australian average and equivalised final income, 12% below the average, reflecting the net benefits received by Tasmanian households.

The average equivalised final income of households in NSW, Victoria, Queensland and South Australia were very similar to the average for all households.

Appendix 6 includes a comparison by state and territory for the 2003–04 and 2009–10 studies.

S6. EQUIVALISED INCOME LEVELS, States and territories



About this Release

Describes and provides results from the study of the effects of government benefits and taxes on household income in 2009-10 as revealed by the Household Expenditure Survey. Extensive data are published on household direct cash benefits (e.g. age pension), personal tax liabilities, indirect benefits from government outlays on health, education, housing, social security and welfare, and indirect taxes paid on goods and services.

History of Changes

This document was added or updated on 05/07/2012.

05/07/2012 A correction has been made to Graph S5 of the Summary of Findings, to correct the label names in the legend. This change did not have any impact on the data.

05/07/2012 The Datacube has been renamed to 'Government Benefits, Taxes and Household Income, 2009–10 Datacubes'.

11/09/2012 Corrections have been made to the final income quintile boundaries in Table 2 for 2003–04 data. Mean values have been recalculated with the corrected quintile groupings.

Explanatory Notes

Explanatory Notes

EXPLANATORY NOTES

INTRODUCTION

1 This publication presents the results of a study of the effects of taxation and government expenditure on the distribution of income among private households in Australia in 2009–10. The results show how the allocation of benefits and taxes differ between households depending on characteristics such as household composition, life cycle stages, household size and income.

2 One of the major data sources used in this study is the Household Expenditure Survey (HES). This study is therefore currently undertaken every six years in conjunction with the HES. Other major data sources used in this study are the ABS Government Finance Statistics and Input-Output tables from the Australian System of National Accounts (ASNA).

3 Previous studies were conducted in relation to 1984, 1988–89, 1993–94, 1998–99 and 2003–04.

CHANGES IN THIS ISSUE

4 The methodology used for the 2009–10 study is broadly the same as that used in 2003–04. However, there have been some changes in the methodology and data sources used in the study. These changes need to be taken into account when comparing results from 2009–10 with 2003–04. The main changes that have impacted on this study are outlined below. A detailed evaluation of the impact of the changes is provided in Appendix 6.

Changes in the study of the effects of government benefits and taxes on household income

5 The main changes in this study include:

- a more comprehensive measure of private income, following improvements made to ABS household income statistics in 2007–08 (explained further in Income measures section below), and the inclusion of net imputed rent for owner occupied dwellings and the net benefit that can be attributed to households living in subsidised private rentals. Private income measures from the 2003–04 study presented in this publication have been recompiled, to the extent possible, to reflect the new treatments
- improvements to the allocation of health benefits using disability data collected in the HES to identify households with individuals with a disability or long term health condition. These individuals have been allocated a higher utilisation rate for health services compared to the rest of the population
- improvements to the allocation of the Private Health Insurance Rebate to only those households reporting having private health insurance. In the 2003–04 study, the Private Health Insurance Rebate was included in community health services and allocated to all households
- improvements to the estimation of public housing benefits, using the net imputed rent estimates for subsidised rentals from state/territory housing authorities, benchmarked to administrative data on the mean weekly rental subsidy. The 2003–04 study used the difference between rent paid and the median market rent for private dwellings from the *2001 Census of Population and Housing*
- improvements to the allocation of government expenditure on child care assistance using child care questions collected in the HES, rather than modelled information as in the previous study, to ensure benefits have been

- allocated only to households using formal child care
- the inclusion of electricity concessions and rebates provided by state and territory governments for the first time
- improvement to the methodology for estimating taxes on production for ownership of dwellings to align with the methodology used to estimate the taxes on production for all other selected goods and services
- the correspondence between the Input-Output Product Group (IOPG) and the Household Expenditure Classification (HEC), used to calculate taxes on production estimates, was updated to reflect changes in both classifications.

Changes in Household Expenditure Survey 2009–10

6 The Household Expenditure Survey (HES), which is one of the major data sources used in the study, underwent a number of changes in 2009–10. The main changes were:

- an increase in the sample size from 6,957 households in 2003–04 to 9,774 households in 2009–10 due to the inclusion of an additional sample of metropolitan households whose main source of income was a government pension, benefit and/or allowance
- the incorporation of non-cash benefits used by employees to improve the coverage of consumption expenditure and to ensure consistency with the conceptual treatment of income. Further detail is provided below in the Expenditure measures section
- a small number of changes to some HEC categories, particularly to address emerging technologies between the survey cycles
- disability questions for persons aged 15 years and over were asked in the 2009–10 HES (last collected in HES in 1998–99) and used in the derivation of social transfers in kind from health benefits.

Income measures

7 The ABS has revised its standards for household income statistics following the adoption of new international standards promulgated in 2004. The changes that have been made since the previous study in 2003–04 include:

- employment income now includes all payments received by individuals as a result of their current or former involvement in paid employment. In addition to the regular and recurring cash receipts previously included, the new income measures also include salary sacrificed income, non-cash benefits, bonuses, termination payments and payments for irregular overtime
- interest paid on money borrowed to purchase shares or units in trusts is now netted off income earned from these sources when deriving income estimates
- income earned as a silent partner in a partnership and some private trust income are now classified to investment income rather than unincorporated business income. The questions developed to effect this change also improved the reporting of income from these sources
- lump sum workers' compensation receipts are now included
- a wider range of data on financial support received from family members resident outside the household is now included. In addition to regular payments previously collected, financial support has been extended to include other forms of financial support, including goods and services received which were purchased by others e.g. rent, education, food, clothing, car registration and utilities. Capital transfers, such as the purchase of property or cars, were excluded.

8 In this publication, net imputed rent estimates for owner occupied dwellings and privately subsidised rental accommodation have been included for the first time as a component of private income. This treatment aligns with the new international standards, but has not been adopted in other publications produced from the 2009–10 HES and the Survey of Income and Housing (SIH). Imputed rent estimates are published separately in Household Income and Income Distribution, Australia, 2009–10 ([cat.no.6523.0](#)).

9 To the extent possible, the estimates for 2003–04 shown in the time series tables in this publication and in Appendix 6 reflect the new treatments, including the addition of net imputed rent to all income measures for that year.

10 For more detail on the nature and impact of the changes on the income data, see Appendix 4 of Household Income and Income Distribution, Australia, 2007–08 ([cat.no.6523.0](#)).

Expenditure measures

11 To ensure consistency with the conceptual treatment of income introduced by the revision of household income standards, the 2009–10 HES includes some improvements to the treatment of non-cash benefits and salary sacrifice in household expenditure estimates. Non-cash benefits used by employees are incorporated to improve the coverage of consumption expenditure, and improvements to the inclusion of expenditures via salary sacrifice for vehicles have been implemented.

12 Most employee remuneration is in a monetary form. However a substantial number of employees receive other benefits in the form of goods and services i.e. non-cash benefits. Examples include the use of motor vehicles, provision of a computer, subsidised child care, housing rent free or at less than normal market rent, car parking, superannuation (employer contributions above the minimum compulsory contributions) and low interest loans. Information on non-cash benefits provided by employers has been collected from wage and salary earners and owners of incorporated businesses, commencing in 2003–04. These estimates of expenditure in kind have been included in the expenditure estimates for the first time in 2009–10.

13 More detailed information was collected for salary sacrifice on motor vehicles in the 2009–10 HES to improve the expenditure estimates for this type of expenditure. The additional information captured within the questionnaire was used to model the value of expenditure on motor vehicles and associated running costs such as fuel, insurance, registration, servicing and tyres.

Changes in the contents of this issue

14 The following changes have been made to the content of the publication:

- time series data have been included in the first two tables showing a comparison of the results from the 2003–04 and 2009–10 studies
- social transfers in kind for the Private Health Insurance Rebate (PHIR) are shown separately as a component of health benefits. In 2003–04 this government expenditure was a component of community health services
- social transfers in kind for child care are shown separately as a component of social security and welfare benefits
- other taxes on production has been renamed to other goods and services. This is the same item as the 2003–04 study except that some taxes relating to housing costs, such as the interest component of home mortgages and repairs and maintenance expenditure have been removed and are accounted for in the ownership of dwellings category (see Appendix 5)
- addition of a new table on financial stress indicators.

CONCEPTS AND DEFINITIONS

15 The concepts and definitions relating to all measures of income, government benefits and taxes, net worth and households are described in the following section. Other definitions are included in the glossary.

GOVERNMENT BENEFITS, TAXES AND HOUSEHOLD INCOME

16 This section explains the relationship between the income concepts and components of government benefits, taxes and income presented in this study.

Income

17 Household income consists of all current receipts, whether monetary or in kind, that are received by the household or by individual members of the household, and which are available for, or intended to support, current consumption.

18 The following diagram illustrates the different income concepts.

INCOME CONCEPTS AND COMPONENTS

Income concepts

Private income:
from sources
other than
government
benefits

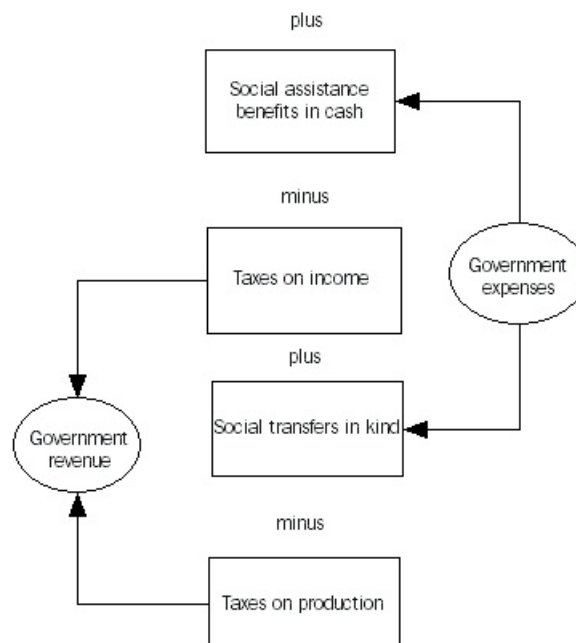


Gross income:
private income plus
social assistance
benefits in cash

Disposable income:
gross income
minus taxes on
income

Disposable income
plus social transfers
in kind:

Final income:
income after
allocated benefits
and taxes



Private income

19 Private income is the most restricted concept of income used in this study. It comprises all current receipts excluding social assistance benefits in cash. Sources of private income include:

- wages and salaries and other receipts from employment (whether from an employer or own incorporated enterprise), including income provided as part of salary sacrifice and/or salary package arrangements
- profit/loss from own unincorporated business (including partnerships)
- net investment income (interest, rent, dividends, royalties)
- overseas pensions
- private transfers (e.g. superannuation, workers' compensation, income from annuities, child support, and financial support received from family members not living in the same household).
- net imputed rent for owner occupied dwellings and subsidised private rentals.

20 Receipts which are excluded from private income include:

- capital transfers such as inheritances and legacies, maturity payments on life insurance policies
- capital gains and losses.

Social assistance benefits in cash

21 Social assistance benefits in cash are income support payments from Australian governments to persons under social security and related government programs. Included are pensions and allowances received by aged, disabled, unemployed and sick persons, families and children, veterans or their survivors, and study allowances for students. Family Tax Benefit, Baby Bonus and Child Disability Assistant Payment paid to recipients of Carer Allowance are also included in social assistance benefits in cash.

22 Receipts of Family Tax Benefit are included, regardless of whether they are received fortnightly or as a lump sum.

23 One-off payments to families and carers, paid since 2003–04 are included, as well as the one-off stimulus payments paid in 2009–10.

24 Social assistance benefits in cash were allocated as reported in the HES. Pensions and allowances from overseas governments were excluded from these payments and included in private income.

Gross income

25 Gross income is the sum of private income and Australian government social assistance benefits in cash before income tax, the Medicare levy and the Medicare levy surcharge are deducted.

Taxes on income

26 Taxes on income are the sum of personal income tax, the Medicare levy and the Medicare levy surcharge. These are imputed based on each person's income and other characteristics as reported in the HES.

27 Estimates of income tax were modelled, rather than collected from respondents, for a number of reasons. Firstly, changes in income, family or other circumstances of the respondent, which are not described in the survey, may affect full year income tax assessments. Secondly, income tax assessments are only made after the end of the financial year, and therefore are not yet available at the time that current income is collected from respondents. Thirdly, the income tax assessment of respondents may be affected by certain expenditures which they make, such as donations to charities, or other particular circumstances which are not captured in the survey. Finally, the HES provides sufficient relevant information to allow a relatively comprehensive model to be constructed.

Disposable Income

28 Disposable income is derived by deducting taxes on income from gross income.

Social transfers in kind

29 Social transfers in kind consist of goods and services provided free or at subsidised prices by the government. In this study, allocation of social transfers in kind was restricted to those arising from the provision of education, health, housing, social security and welfare services, and electricity concessions and rebates.

30 In general, social transfers in kind were based on the cost to government of the provision of those services. The total value of social transfers in kind was defined as Commonwealth, state or territory and local government expenses, net of intra-government transfers, minus government pensions and allowances paid in cash minus government revenue from the sale of goods and services. For detailed descriptions of the methodologies used to allocate social transfers in kind see [Appendix 4](#).

Disposable income plus social transfers in kind

31 The value of government social transfers in kind for education, health, housing, social security and welfare, and electricity concessions and rebates is added to disposable income to calculate disposable income plus social transfers in kind.

Taxes on production

32 Taxes on production consist of taxes on products and other taxes on production. Total taxes on production are calculated net of any subsidies received from governments.

33 In allocating the taxes on production, it is assumed that industries will pass the burden of the taxes on production they pay to the purchasing industries and/or final consumers through higher prices. Also, the burden of the tax will be passed from one industry to another until the total burden of the tax is passed on to a final demand sector, one of which is the household sector.

34 Taxes on products are taxes payable on goods and services when they are produced, delivered, sold, transferred or otherwise disposed of by their producers. They include goods and services tax (GST), taxes and duties on imports, and other taxes on products such as fuel and tobacco excise.

35 Other taxes on production consist of all taxes except taxes on products that enterprises incur as a result of engaging in production. These taxes do not include any taxes on profits or other income received by the enterprise. They are taxes payable on the land, fixed assets or labour employed in the production process or on certain activities or transactions. Other taxes on production include taxes on payroll or workforce, land taxes, business and professional licences and stamp duties.

36 The amount of taxes on production paid by HES households was calculated as follows:

- the incidence of taxes on production to households was estimated using Input-Output tables from within the ASNA. The Input-Output tables present a comprehensive picture of the supply and use of goods and services in the economy and the income generated from production. It records the flows of products from one industry to another and to final demand for consumption. For this study, the 2007–08 Input-Output tables were used to calculate a tax rate for each of the 111 Input-Output product groups (IOPG)
- the Household Expenditure Classification (HEC) is used to classify household expenditure in the HES. The approximately 600 HEC codes were mapped to the 111 IOPG codes
- household expenditure classified to each HEC code was multiplied by the relevant tax rates to estimate the total final incidence of taxes on production for each household.

37 For a more detailed description of the methodology used to allocate taxes on production see Appendix 5.

Final Income

38 Final income is the most extensive concept of income used in this study. Final income is equal to household disposable income plus social transfers in kind, less taxes on production.

OTHER CONCEPTS AND DEFINITIONS

39 This section describes other concepts and definitions relevant to this study.

Household data

40 The household is the basic unit of analysis in this publication. A household consists of one or more persons, at least one of whom is at least 15 years of age, usually resident in the same private dwelling. The persons in a household may or may not be related. They must live wholly within one dwelling.

41 While income is usually received by individuals, it is normally shared between partners in a couple relationship and with dependent children. To a lesser extent, it may be shared with other children, other relatives and possibly other people living in the same household, for example through the provision of free or cheap accommodation. This is particularly likely to be the case for children other than dependents and other relatives with low levels of income of their own. Even when there is no transfer of income between members of a household, nor provision of free or cheap accommodation, members are still likely to benefit from the economies of scale that arise from the sharing of dwellings.

42 Household characteristics, including household income, are therefore the main information required for analysing income distribution. In this publication, the income distribution measures are all calculated with respect to households, as most of the relevant characteristics of persons relate to their household circumstances.

Equivalised income

43 Much of the analysis in this study uses equivalised income rather than gross or disposable income since it enables comparison of the relative economic well-being of households of different size and composition. Equivalised household income is calculated by adjusting household income by the application of an equivalence scale. This adjustment reflects the requirement for a larger household to have a higher level of income to achieve the same standard of living as a smaller household. Where income is negative, it is set to zero equivalised income.

44 When household income is adjusted according to an equivalence scale, the equivalised income can be viewed as an indicator of the economic resources available to a standardised household. For a lone person household, it is equal to income received. For a household comprising more than one person, equivalised income is an indicator of the household income that would be required by a lone person household in order to enjoy the same level of economic wellbeing as the household in question.

45 The equivalence scale has been used to adjust private, disposable and final income for differing household sizes and composition. For more information on equivalised income refer to Appendix 2.

Lowest income decile

46 While equivalised income generally provides a useful indicator of economic wellbeing, there are some circumstances which present particular difficulties. Some households report extremely low and even negative income in the survey, which places them well below the safety net of income support provided by government pensions and allowances. Households may under report their incomes in the survey at all income levels, including low income households. However, households can correctly report low levels of income if they incur losses in their unincorporated business or have negative returns from their other investments.

47 Studies of income and expenditure reported in HES surveys have shown that such households in the bottom income decile and with negative gross incomes tend to have expenditure levels that are comparable to those of households with higher income levels (and slightly above the average expenditures recorded for the fifth income decile). This suggests that these households have access to economic resources such as wealth, or that the instance of low or negative income is temporary, perhaps reflecting business or investment start up. Other households in the lowest income decile in past surveys had average incomes at about the level of the single pension rate, were predominantly single person households, and their main source of income was largely government pensions and allowances. However, on average, these households also had expenditures above the average of the households in the second income decile, which is not inconsistent with the use of assets to maintain a higher standard of living than implied by their incomes alone.

48 It can therefore be reasonably concluded that many of the households included in the lowest income decile are unlikely to be suffering extremely low levels of economic wellbeing. Income distribution analysis may lead to inappropriate conclusions if such households are used as the basis for assessing low levels of economic wellbeing.

For this reason, tables showing statistics classified by income quintiles include a supplementary category comprising the second and third income deciles, which can be used as an alternative to the lowest income quintile. (For an explanation of quintiles and deciles, see Appendix 1.)

49 Whenever a HES is conducted, analysis of households in the lowest income decile can be improved through direct observation of the expenditure and net worth of these households. An examination of households with low economic resources (income and wealth) is included as a feature article in Household Wealth and Wealth Distribution, Australia, 2009–10 ([cat.no.6554.0](#)).

50 The inclusion of net imputed rent in the definition of private income included in this study is likely to move some households, in particular those that own their own home outright, from the lowest income decile to a higher income decile.

Imputed rent

51 Imputed rent estimates allows the analysis of household income to be extended to include the imputed rental incomes that flow to people living in homes owned by the occupant and those paying subsidised rent. Such imputations allow for more meaningful comparison of the income circumstances of people living in different tenure types, and to understand changes over time in income levels and the distribution of income when tenures may be changing over time. Including imputed rent as part of household income and expenditure conceptually treats owner occupiers as if they were renting their home from themselves, thus simultaneously incurring rental expenditure and earning rental income.

52 Imputed rent is included in income on a net basis i.e. the imputed value of the services received less the value of the housing costs incurred by the household in their role as a landlord. It is included on a gross basis, i.e. the imputed value of the services received, when it is included in expenditure estimates.

53 Hedonic regression is used to estimate the market value of the rental equivalent of an owner occupied dwelling. Data from the SIH on reported rents paid by private market renters is regressed on the characteristics of their rented dwellings e.g. location and dwelling structure. The estimated coefficients are then applied to the corresponding characteristics of owner occupied and other dwellings to produce imputed values of the gross rental equivalence for these dwellings. Net imputed rent is estimated as gross imputed rent less reported housing costs. For owner occupiers, the housing costs subtracted are those which would normally be paid by landlords i.e. rates, mortgage interest, insurance, repairs and maintenance. For households paying subsidised rent, e.g. tenants of an employer and households occupying their dwelling rent-free, the housing costs that are subtracted are largely made up of the reported rent paid, but other housing costs incurred, such as rates, are also subtracted for some tenure types.

54 More information on the methodology used to estimate gross and net imputed rent is available in Experimental Estimates of Imputed Rent, 2003–04 and 2005–06 ([cat.no.6525.0](#)).

Net worth

55 Net worth, often referred to as wealth, is the value of a household's assets less the value of its liabilities. Assets can take many forms including:

- produced tangible fixed assets that are used repeatedly and for more than one year, such as dwellings and their contents, vehicles, and machinery and equipment used in businesses owned by households
- intangible fixed assets such as computer software and artistic originals
- business inventories of goods
- non-produced assets such as land
- financial assets such as bank deposits, shares, superannuation account balances, and the outstanding value of loans made to other households or businesses.

56 Liabilities are primarily the value of loans outstanding including:

- credit card debt
- mortgages
- investment loans
- borrowings from other households
- debt on other loans such as personal loans to purchase vehicles, and study loans.

57 In the 2009–10 SIH, some asset and liability data were collected on a net basis rather than collecting for each component listed above. In particular, if a survey respondent owned or part owned a business, they were asked how much they would receive if they sold their share of the business and paid off any outstanding debts.

MAJOR DATA SOURCES

58 The three major data sources used in this study are the 2009–10 ABS Household Expenditure Survey (HES), ABS Government Finance Statistics, and Input-Output tables from the Australian System of National Accounts (ASNA).

HOUSEHOLD EXPENDITURE SURVEY

59 The 2009–10 HES collected detailed information about the expenditure, income, assets, liabilities and household characteristics of private dwellings throughout Australia. The sample consisted of 9,774 households, which were enumerated from July 2009 to July 2010. The summary of the results from the survey was published in Household Expenditure Survey, Australia: Summary of Results, 2009–10 ([cat.no.6530.0](#)).

60 Previous Household Expenditure Surveys were conducted in 1974–75, 1975–76, 1984, 1988–89, 1993–94, 1998–99 and 2003–04.

61 Information reported in the HES is used as the basis for modelling the effects of various government benefits and taxes on household income. The survey provided details on the composition of households and the characteristics of their members, the level and sources of their income, and the patterns of their expenditure. Household income data were used to provide measures of private income and social assistance benefits in cash from the government; income, personal and household characteristics and taxation criteria for 2009–10 were used to calculate taxes on income paid; characteristics of household members and their expenditure patterns were used to identify recipients of social transfers in kind from government; and expenditure data were used to calculate taxes on production paid.

62 The Household Expenditure Survey and Survey of Income and Housing User Guide, Australia, 2009–10 ([cat.no.6503.0](#)), describes the definitions, concepts, methodology and estimation procedures used in the HES and the SIH.

Survey scope and coverage

63 The survey collects information by personal interview from usual residents of private dwellings in urban and rural areas of Australia (excluding very remote areas), covering about 97% of the people living in Australia. Private dwellings are houses, flats, home units, caravans, garages, tents and other structures that were used as places of residence at the time of interview. Long-stay caravan parks are also included. These are distinct from non-private dwellings which include hotels, boarding schools, boarding houses and institutions. Residents of non-private dwellings are excluded.

64 Usual residents exclude:

- households which contain members of non-Australian defence forces stationed in Australia
- households which contain diplomatic personnel of overseas governments
- households in collection districts defined as very remote or Indigenous Communities – this has only a minor impact on aggregate estimates except in the Northern Territory where such households account for about 23% of the population.

65 While no adjustment has been made to the HES population estimates to compensate for limited scope, efforts have been made to ensure that the appropriate share of government expenditures has been allocated to the HES population. This was achieved by calculating average benefits on the basis of benchmark estimates of the total population eligible for particular social transfers in kind.

Final sample

66 The final sample on which estimates were based is composed of households for which all necessary information is available. The information may have been wholly provided at the interview (fully-responding) or may have been completed through imputation for partially responding households. The final combined sample consists of 9,774 households, comprising 17,955 persons aged 15 years and over.

Reliability of estimates

67 The estimates provided in the survey are subject to two types of error, non-sampling and sampling error.

68 Non-sampling error can occur in any collection, whether the estimates are derived from a sample or from a complete collection such as a census. Sources of non-sampling error include non-response, errors in reporting by respondents or recording of answers by interviewers, and errors in coding and processing the data. Non-sampling errors are difficult to quantify in any collection. However, every effort is made to reduce non-sampling error to a minimum by careful design and testing of the questionnaire, training of interviewers and data entry staff, and extensive editing and quality control procedures at all stages of data processing.

69 The estimates are based on a sample of possible observations and are subject to sampling variability. The estimates may therefore differ from the figures that would have been produced if information had been collected for all households. A measure of the sampling error for a given estimate is provided by the standard error, which may

be expressed as a percentage of the estimate (relative standard error). Further information on sampling variability is given in Appendix 3.

Underestimation of some expenditure

70 The average expenditure on some goods and services reported by households in the HES is well below the level which can be estimated from other sources such as tax revenues and estimates of apparent consumption of the item (recorded Australian production plus imports less exports). This includes expenditure on alcohol, tobacco and gambling. No adjustment has been made to any of the reported expenditure data.

GOVERNMENT FINANCE STATISTICS

71 The ABS regularly produces summaries of government revenues and expenses. These government finance statistics (GFS) provide Commonwealth, state or territory and local government taxation revenues classified by type of tax and expenditures classified by purpose and type of economic transaction. The Government Purpose Classification (GPC) identifies the functional areas to which expenses relate (e.g. health, housing and welfare) while the Economic Transactions Framework (ETF) identifies the type of transaction. For example, direct cash payments to households are distinguished from expenses relating to the payment of administrative staff and from expenses on building construction. It is from the combination of these classifications that direct and indirect expenses in various programs were identified.

72 Estimates of total government expenses (for Commonwealth, state or territory and local government) used for social transfers in kind, and to compare the results of the allocation of social assistance benefits in cash, were specially tabulated and reflect 2009–10 data at the time of release of 2009–10 GFS. At the detailed purpose level used in this study, there may be some allocation inaccuracies due to reporting and classification errors in the data supplied to the ABS by government agencies.

73 Taxation information, used to assess the results of tax imputation methods, was obtained from the 2010–11 issue of Taxation Revenue, Australia ([cat.no.5506.0](#)).

INPUT-OUTPUT TABLES

74 Input-Output tables form part of the ASNA and provide a means of undertaking detailed analysis of the process of production, the use of goods and services (products) and of the income generated in that production. They show, for the economy as a whole and for groups of products, the total resources in terms of domestic output and imports, and the uses of goods and services in terms of intermediate consumption, final consumption, gross capital formation and exports.

75 The estimation of the incidence of taxes on production to households is based on extensive use of these Input-Output tables. Australian National Accounts: Input-Output Tables, 2007–08 ([cat.no.5209.0.55.001](#)) includes the supply-use tables with detailed explanatory notes on the data sources, content and methods of construction used.

METHODS

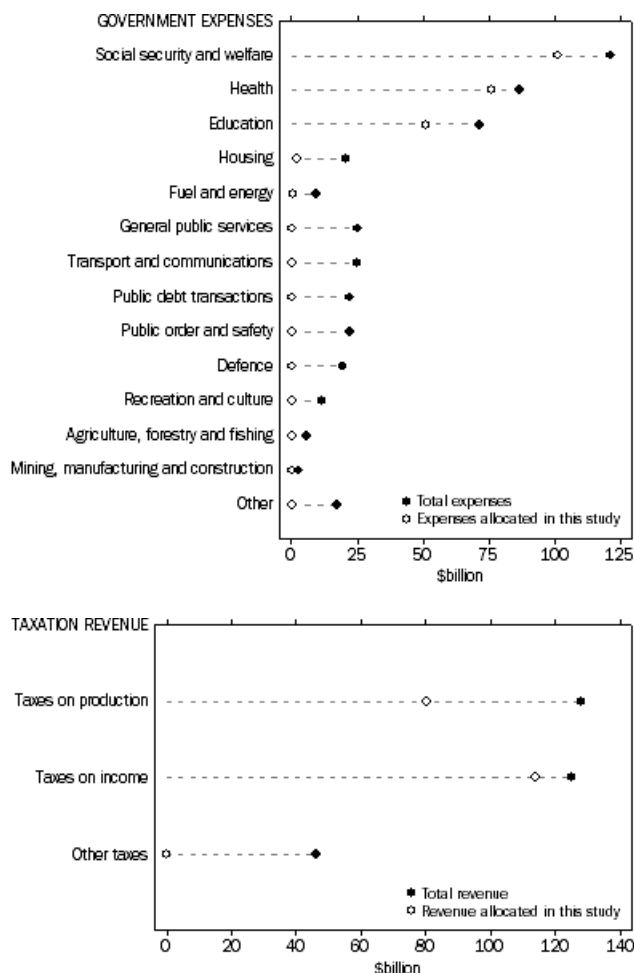
UNIT OF ANALYSIS

76 The household is the basic unit of analysis in this publication. A household consists of one or more persons, at least one of whom is at least 15 years of age, usually resident in the same private dwelling. The persons in a household may or may not be related.

77 The household is adopted as the basic unit of analysis because it is assumed that sharing of the use of goods and services occurs at this level. If smaller units, say persons, are adopted, then it is difficult to know how to attribute to individual household members the use of shared items such as food, accommodation and household goods. Intra-household transfers are excluded. For example, if one member of the household were to pay board to another member of the same household then this is not considered as an increase in the amount of income or housing costs of the household.

BENEFITS AND TAXES ALLOCATED

78 The aim of the study has been to allocate only those benefits and taxes relatable to particular types of households. No attempt has been made to allocate the whole of government expenditure and revenue. Those government expenses and revenues which are allocated and those that are not allocated in the study are illustrated in the following graphs.



79 In many cases, the decision to allocate or not to allocate was guided by the availability of data for appropriate allocation to the household level. For social assistance benefits in cash, allocation of government expenses relating to these cash payments was restricted to cash payments covered by the HES income questionnaire. Taxes on income not allocated include taxes not directly relevant to the household sector such as corporate taxes, and taxes relating to some household receipts, such as capital gains tax.

80 Many social transfers in kind were not allocated because:

- there was no clear conceptual basis for allocation
- they related to segments of the population not covered by HES
- target groups could not be identified within HES data
- expenditure on target groups could not be isolated in GFS data.

81 Taxes on production were calculated by applying intermediate and final tax rates derived from the Australian National Accounts: Input-Output Tables 2007–08 ([cat.no.5209.0.55.001](#)) to household expenditure. Because household expenditure does not account for the full amount of production and consumption recorded in the Input-Output tables, only a proportion of taxes on production was allocated to households.

COMPARISON WITH NATIONAL ACCOUNTS

82 Aggregate estimates of household income are published in Australian System of National Accounts ([cat.no.5204.0](#)) and taxation revenue are published in Taxation Revenue, Australia ([cat.no.5506.0](#)). These data allow comparison of estimates for the household sector as a whole to be compared with the estimates compiled in this study.

Social assistance benefits in cash

83 According to the ASNA, Australian households received \$100,855 million social assistance benefits in cash in 2009–10. By comparison, in this study \$77,856 million social assistance benefits in cash were allocated to households. The difference between the estimates is due mainly to the inclusion in the ASNA of some payments that have been classified as social transfers in kind in this study (\$15,262 million). These include child care assistance (CCR and CCB), Private Health Insurance Rebate (PHIR), child support payments paid to households via the Child Support Agency and some education related payments made to parents to offset the cost of educating their children. Additionally, some other one-off or irregular payments made by various state and Commonwealth agencies may not have been fully captured in the HES. Other reasons for the lower allocation of social assistance benefits in cash in this study include scope exclusions in the HES. The HES estimates do not include pensions and

allowances received by people living in non-private dwellings (e.g. nursing homes), nor by people living in very remote areas of Australia. It is estimated that in 2009–10 this may account for up to \$4,000 million of the difference.

Social transfers in kind

84 ASNA estimates of social transfers in kind to Australian households were \$144,821 million in 2009–10. In this study, \$156,322 million of social transfers in kind were allocated to households. The main reason for the difference is the classification of government expenditure on child care assistance and the PHIR as social transfers in kind in this study, but as social assistance benefits in cash in the ASNA. Additionally, the ASNA estimate includes \$7,097 million expenditure on residential aged care that is excluded from this study due to the exclusion of non-private dwellings, such as nursing homes, from the scope of the HES.

Taxes on income

85 Total income taxes levied on individuals were \$124,787 million (Taxation Revenue, Australia, 2010-11 ([cat.no.5506.0](#))). In this study, \$113,934 million taxes on income (91%) were allocated to households. The main reasons for the underestimation of taxes on income in this study are:

- taxes on wealth, such as capital gains tax, were out of scope
- the exclusion of non-private dwellings in the HES.

Taxes on production

86 Government revenue from total taxes on production less subsidies was \$127,865 million. Net taxes on production on Household Final Consumption Expenditure (HFCE) (a national accounts concept measuring net expenditure on goods and services by households and non-profit institutions serving households) account for approximately 76% of total taxes on production. Therefore, at best, 76% of this revenue would be allocated by the study. The study allocated \$80,252 million or 63% of total taxes on production. Less than 76% of taxes on production were allocated because:

- HES excludes some of the population
- household expenditures were, to a degree, understated, particularly for highly taxed items such as tobacco and gambling.

ACKNOWLEDGMENT

87 ABS publications draw extensively on information provided freely by individuals, businesses, governments and other organisations. Their continued cooperation is very much appreciated: without it, the wide range of statistics published by the ABS would not be available. Information received by the ABS is treated in strict confidence as required by the Census and Statistics Act 1905.

SPECIAL DATA SERVICES

88 The ABS offers specialist consultancy services to assist clients with more complex statistical information needs. Clients may wish to have the unit record data analysed according to their own needs, or require tailored tables incorporating data items and populations as requested by them. Tables and other analytical outputs can be made available electronically or in printed form. However, as the level of detail or disaggregation increases with detailed requests, the number of contributors to data cells decreases. This may result in some requested information not being able to be released due to confidentiality or sampling variability constraints. All specialist consultancy services attract a service charge, and clients will be provided with a quote before information is supplied. For further information, contact ABS information consultants on 1300 135 070 from 9:00am to 4:30pm AEST Monday to Friday (International callers +61292684909).

UNIT RECORD FILE

89 For clients who wish to undertake more detailed analysis of the survey data, a confidentialised unit record file (CURF) will be available on 13 July 2012. Both the basic and expanded versions of the 2009–10 HES CURF have been revised by appending the study estimates to each household record. A full range of up-to-date information about the availability of ABS CURFs and about applying for access to CURFs is available via the ABS web site <<https://www.abs.gov.au>> (see Services We Provide, Confidentialised Unit Record Files (CURFs)). Inquiries to the ABS CURF Management Unit should email: curf.management@abs.gov.au, or telephone (02) 6252 5853.

RELATED PUBLICATIONS

90 Users may wish to refer to the following ABS products which relate to government benefits, taxes and household income. All publications can be downloaded free of charge from the ABS website.

- Household Expenditure Survey and Survey of Income and Housing, User Guide, Australia, 2009–10

([cat.no.6503.0](#))

- Household Income and Income Distribution, Australia, 2009–10 ([cat.no.6523.0](#)).
- Household Expenditure Survey, Australia: Summary of Results, 2009–10 ([cat.no.6530.0](#)).
- Microdata: Household Expenditure Survey and Survey of Income and Housing - Basic and Expanded CURF, Australia ([cat.no.6540.0](#)).
- Household Wealth and Wealth Distribution, Australia, 2009–10 ([cat.no.6554.0](#)).

91 The earlier publications relating to government benefits, taxes and household income are listed below. These publications can also be downloaded free of charge from the ABS website.

- Experimental Estimates of Imputed Rent, Australia, 2003–04 and 2005–06 ([cat.no.6525.0](#))
- Estimates of Personal Income for Small Areas, 2001–02 to 2005–06 ([cat.no.6524.0.55.002](#))
- Government Benefits, Taxes and Household Income, Australia, 2003–04 ([cat.no.6537.0](#)).
- Household Expenditure Survey, Australia: Summary of Results, 2003–04 ([cat.no.6530.0](#)).
- Household Expenditure Survey, Detailed Expenditure Items, 2003–04 ([cat.no.6535.0.55.001](#)).
- Research Paper: Review of Methodology for Estimating Taxes on Production in the Calculation of Household Final Income, Apr 2006 ([cat.no.1351.0.55.012](#)).

92 Users may also wish to refer to the following non-ABS products which relate to income.

- Taxation Statistics 2008–09: A summary of income tax returns for the 2008-09 income year and other reported tax information for the 2009–10 financial year ([Australian Tax Office](#)) link: under > Corporate > Our statistics centre > Taxation Statistics [www.ato.gov.au](#)
- Statistical Paper No. 9: Income support customers: A statistical overview 2010 (Department of Families, Community Services and Indigenous Affairs) link: under FaHCSIA Internet > About FaHCSIA > Publications & Articles > Research Publications > Statistical Paper series [www.fahcsia.gov.au/about-fahcsia/publications-articles](#)

Glossary

GLOSSARY

Acute care institution benefits

Includes social transfers in kind relating to all activities of acute care hospitals, free-standing hospices, alcohol and drug treatment centres, and same-day establishments except activities involving health research and formal health education. Acute care institution benefits are a component of health benefits.

Age

Person's age last birthday.

Age pension

Includes the Age Pension, as well as additional cash allowances such as rent assistance. Age pension is a component of social assistance benefits in cash.

Assets

An entity of a financial or non-financial nature, owned by the household or its members, and from which economic benefits may be derived by holding or use over a period of time.

Average weekly expenditure

Value obtained by dividing the estimated weekly expenditure of a group of households by the estimated number of households in the group.

Balance of state

That part of each Australian state or territory not defined as capital city. Balance of state estimates for Northern Territory are regarded as too unreliable to publish separately since they exclude collection districts defined as very remote which account for about 23% of the NT population. All of the Australian Capital Territory is defined as capital city for this publication.

Capital city

Refers to Australia's six state capital city Statistical Divisions and the Darwin Statistical Division as defined in the Australian Standard Geographical Classification ([cat.no.1216.0](#)). For the Australian Capital Territory the estimates relate predominantly to urban areas, and all of the Australian Capital Territory is defined as a capital city for this publication.

Child care assistance

Includes social transfers in kind relating to the Child Care Benefit and Child Care Rebate and associated administrative costs. Child care assistance is a component of social security and welfare benefits.

Collection district

The Census Collection District (CD) is the smallest geographic area defined in the Australian Standard Geographical Classification ([cat.no.1216.0](#)).

Consumer Price Index (CPI)

A general measure of price inflation for the household sector in Australia. Specifically, it provides a measure of changes, over time, in the cost of a constant basket of goods and services acquired by the capital city households in Australia.

Community health service benefits

Includes social transfers in kind relating to community health services such as domiciliary nursing services, well baby clinics, dental health services, health services provided to particular community groups, family planning services, alcohol and drug rehabilitation programs not involving admission, and other health services provided in a community setting. Also includes expenditure on patient transport. Community health service benefits are a component of health benefits. In 2003-04 the Private Health Insurance Rebate (PHIR) was included in Community health services and for 2009-10 it is reported separately.

Commonwealth Rent Assistance (CRA)

Commonwealth Rent Assistance is a non-taxable income supplement paid through Centrelink to individuals and families who rent in the private rental market. It is only paid to recipients of another government benefit or pension, and is paid in conjunction with that benefit.

Couple

See One family household.

Couple family households with dependent children

See One family household.

Deciles

Groupings that result from ranking all households or persons in the population in ascending order according to some characteristic such as their household income and then dividing the population into 10 equal groups, each comprising 10% of the estimated population.

Dependent children

All persons aged under 15 years; and persons aged 15–24 years who are full-time students, have a parent in the household and do not have a partner or child of their own in the household.

Disability support pension

Includes the Disability Support Pension, as well as additional cash allowances such as rent assistance. Disability support pension is a component of social assistance benefits in cash.

Disposable income

Gross income less income tax, the Medicare levy and the Medicare levy surcharge i.e. remaining income after taxes are deducted, which is available to support consumption and/or saving. Income tax, Medicare levy and the Medicare levy surcharge are imputed based on each person's income and other characteristics as reported in the survey. Disposable income is sometimes referred to as net income.

Education benefits

Social transfers in kind relating to the provision of school, tertiary and other education.

Electricity concessions

Includes social transfers in kind relating to electricity concessions and rebates.

Employed

Persons aged 15 years and over who, during the week before the interview:

- worked one hour or more for pay, profit, commission or payment in kind in a job or business, or on a farm (includes employees, employers and own account workers)
- worked one hour or more, without pay, in a family business or on a family farm
- had a job, business or farm but was not at work because of holidays, sickness or other reason.

Employee

An employed person who, for most of his/her working hours:

- works for a public or private employer and receives remuneration in wages or salary, or is paid a retainer fee by his/her employer and works on a commission basis, or works for an employer for tips, piece-rates or payment in kind
- operates their own incorporated business with or without employees.

Employer

A person who operates his or her own unincorporated business or engages independently in a profession or trade, and hires one or more employees.

Equivalised household income

Household income adjusted using an equivalence scale. For a lone person household it is equal to household income. For a household comprising more than one person, it is an indicator of the household income that would need to be received by a lone person household to enjoy the same level of economic wellbeing as the household in question. Private income, Disposable income and Final income have been equivalised in this publication. For further information see Appendix 2.

Expenditure

The cost of goods and services acquired during the reference period for private use, whether or not the goods were paid for or consumed. Expenditure is net of refunds. For example, payments for health services are net of any refunds received or expected to be received. Expenditure is classified according to the Household Expenditure Classification which contains over 600 detailed items.

Family

Two or more people, one of whom is at least 15 years of age, who are related by blood, marriage (registered or de facto), adoption, step or fostering and who usually live in the same household. A separate family is formed for each married couple, or for each set of parent–child relationships where only one parent is present.

Family composition of household

Classifies households into three broad groupings based on the number of families present (one family, multiple family and non-family). One family households are further disaggregated according to the type of family (such as couple family or one parent family) and according to whether or not dependent children are present. Non-family households are disaggregated into lone person households and group households.

Family tax benefit

Includes Family Tax Benefit (both part A and part B) payments, regardless of whether they are received fortnightly or as a lump sum, as well as additional cash allowances such as rent assistance. It also includes one-off payments to families. Family tax benefit is a component of social assistance benefits in cash.

Final income

Disposable income plus social transfers in kind minus taxes on production.

Formal child care

Regulated child care away from the child's home. The main types of formal child care are before and/or after school care, long day care, family day care, occasional care and vacation care.

Full-time student

A person 15 years or over who is classified as a full-time student by the institution they attend, or considers himself/herself to be a full-time student. Full-time study does not preclude employment.

Goods and services tax (GST)

Goods and Services Tax (GST) is a broad-based tax of 10% on most goods, services and other items sold or consumed in Australia.

Government pensions and allowances

Income support payments from government to persons under social security and related government programs. Included are pensions and allowances received by aged, disabled, unemployed and sick persons, families and children, veterans or their survivors, and study allowances for students. All overseas pensions and benefits are included here, although some may not be paid by overseas governments. Family Tax Benefit, Baby Bonus and Child Disability Assistance Payment paid to recipients of Carer Allowance are also included in government pensions and allowances.

Gross imputed rent

The estimated market rent that a dwelling would attract if it were to be commercially rented.

Gross income

Income from all sources, whether monetary or in kind, before income tax, the Medicare levy and the Medicare levy surcharge are deducted. It consists of private income plus social assistance benefits in cash.

Group household

See Non-family household.

Health benefits

Health benefits are social transfers in kind relating to acute care institutions, community health services, pharmaceuticals, Private Health Insurance Rebate and other health benefits.

Household

A person living alone or a group of related or unrelated people who usually live in the same private dwelling.

Household Expenditure Classification (HEC)

The expenditure classification used in the Household Expenditure Survey, Australia, 2009-10 ([cat.no.6530.0](#)). In the 2009-10 survey it consists of over 600 items at the most detailed level. At the broadest level it consists of 17 broad expenditure groups. A copy of the classification is included in Household Expenditure Survey and Survey of Income and Housing, Australia: User Guide, 2009-10 ([cat.no.6503.0](#)).

Housing benefits

Social transfers in kind from the provision of government housing at subsidised rental rates.

Income

Income consists of all current receipts, whether monetary or in kind, that are received by the household or by individual members of the household, and which are available for, or intended to support, current consumption.

Income includes receipts from:

- wages and salaries and other receipts from employment (whether from an employer or own incorporated enterprise), including income provided as part of salary sacrificed and/or salary package arrangements
- profit/loss from own unincorporated business (including partnerships)
- net investment income (interest, rent, dividends, royalties)
- government pensions and allowances
- private transfers (e.g. superannuation, workers' compensation, income from annuities, child support, and financial support received from family members not living in the same household)
- net imputed rent from owner occupied dwellings and subsidised private rentals.

Private income is the sum of income from all sources except social assistance benefits in cash.

Gross income is the sum of private income and social assistance benefits in cash before income tax, the Medicare

levy and the Medicare levy surcharge are deducted. Other measures of income are Disposable income, Equivalised disposable household income and Equivalised final household income.

Note that child support and other transfers from other households are not deducted from the incomes of the households making the transfers.

Income unit

One person or a group of related persons within a household, whose command over income is assumed to be shared. Income sharing is assumed to take place within married (registered or de facto) couples, and between parents and dependent children.

Incorporated business

An incorporated business is a company that has a registered business name with the Australian Securities and Investment Commission (ASIC) and a legal status which is separate to that of the individual owners of the business.

Landlord type

For renters, the type of entity to whom rent is paid or with whom the tenure contract or arrangement is made. Renters are classified to one of the following categories:

- state/territory housing authority – where the household pays rent to a state or territory housing authority or trust
- private landlord – where the household pays rent to a real estate agent or to another person not in the same household
- other – where the household pays rent to the owner/manager of caravan park, an employer (including a government authority), a housing cooperative, a community or church group, or any other body not included elsewhere.

Liability

A liability is an obligation which requires one unit (the debtor) to make a payment or a series of payments to the other unit (the creditor) in certain circumstances specified in a contract between them.

Lone person household

See Non-family household.

Main source of income

That source from which the most positive income is received. If total income is nil or negative the main source is undefined. As there are several possible sources, the main source may account for less than 50% of gross income.

Mean income

The total income received by a group of units divided by the number of units in the group. For more detail about household weighted and person weighted means, see Appendix 1.

Medicare levy

Medicare is Australia's universal health care system. The Medicare levy is a specific tax, based on individual income, intended to assist in the funding of this system.

Medicare levy surcharge

The Medicare levy surcharge is a levy, or an additional tax, on Australian taxpayers who do not have an appropriate level of private hospital insurance and who are earning more than the specified income threshold.

Multiple family household

A household containing two or more families. Unrelated individuals may also be present.

Negative income

Income may be negative when a loss accrues to a household as an owner or partner in unincorporated businesses, rental properties or other investment income. Losses occur when operating expenses and depreciation are greater than gross receipts.

Negative net worth

Net worth may be negative when household liabilities exceed household assets.

Net benefits

Total benefits minus total taxes.

Net imputed rent

Gross imputed rent less housing costs, for privately owned dwellings. Net imputed rent is an estimate of the value of housing services that households receive from home ownership or by households paying subsidised rent or occupying their dwelling rent free. Housing costs for the purpose of calculating net imputed rent for owner-occupiers comprise:

- rates payments (general and water)
- body corporate fees
- the interest component of repayments of loans that were obtained for the purposes of purchasing or building
- rent payments
- house insurance costs
- repair and maintenance costs.

Net imputed rent for owner occupied dwellings and subsidised private rentals is included in private income. Net imputed rent for subsidised public rentals is included in Social transfers in kind for housing.

Net worth

Net worth is the value of a household's assets less the value of its liabilities. Net worth may be negative when household liabilities exceed household assets.

Non-dependent children

Persons aged 15 years and over who:

- do not have a spouse or offspring of their own in the household
- have a parent in the household
- are not full-time students aged 15–24 years.

Non-family household

A household that consists of unrelated persons only. Non-family households are classified to one of the following categories:

- group household – a household consisting of two or more unrelated persons where all persons are aged 15 years and over. There are no reported couple relationships, parent-child relationships or other blood relationships in these households
- lone person household – a household consisting of a person living alone.

One family household

One family households are classified to one of the following categories:

- couple only – two persons in a registered or de facto marriage, who usually live in the same household
- couple family with dependent children – a household consisting of a couple with at least one dependent child. The household may also include non-dependent children, other relatives and unrelated individuals
- one parent family with dependent children – a household comprising a lone parent with at least one dependent child. The household may also include non-dependent children, other relatives and unrelated individuals
- other one family households – a household comprising:
 - one couple with their non-dependent children only
 - one couple, with or without non-dependent children, plus other relatives
 - one couple, with or without non-dependent children or other relatives, plus unrelated individuals
 - a lone parent with his/her non-dependent children, with or without other relatives and unrelated individuals
 - two or more related individuals where the relationship is not a couple relationship or a parent-child relationship (e.g. two brothers).

One parent family households with dependent children

See One family households.

Other education benefits

Social transfers in kind relating to special education (e.g. education for children who have physical disabilities) and other education benefits which could not be assigned to school or tertiary education. Other education benefits is a component of education benefits.

Other government pensions and allowances

Includes all other income support payments from the Australian government that are not included under Age, Disability Support and Veterans' Affairs pensions, Family tax benefit and Parenting payment. Examples include Carer Allowance, Carer Payment, Partner Allowance and the Baby Bonus. These are a component of social assistance benefits in cash.

Other health benefits

Includes social transfers in kind relating to public health services such as health promotion campaigns, occupational health and safety programs, food standards regulation, immunisation programs, breast cancer screening and screening for childhood diseases, as well as expenditure on health research. Other health benefits is a component of health benefits.

Other landlord type

Where the household pays rent to the owner/manager of a caravan park, an employer (including a government authority), a housing cooperative, a community or church group, or any other body not included elsewhere.

Other one family household

See One family household.

Other private income

Private income other than wages and salaries, and profit or loss from own unincorporated business. It includes net investment income (interest, rent, dividends, royalties), overseas pensions, private transfers, and net imputed rent from owner occupied dwellings and subsidised private rentals.

Other social security and welfare benefits

Includes social transfers in kind relating to the provision of goods and services to specific population groups with special needs. It includes services for the aged, services for people with a disability, etc. The category excludes expenditure on child care assistance and expenditure on monetary transfers to Australian residents (see Social assistance benefits in cash). Other social security and welfare benefits is a component of social security and welfare benefits.

Other tenure type

A household which is not an owner (with or without a mortgage), or a renter. Includes rent free.

Own account worker

A person who operates his or her own unincorporated business or engages independently in a profession or trade and hires no employees.

Own unincorporated business income

The profit/loss that accrues to persons as owners of, or partners in, unincorporated businesses. Profit/loss consists of the value of gross output of the business after the deduction of operating expenses (including depreciation). Losses occur when operating expenses are greater than gross receipts and are treated as negative income.

Owner (of dwelling)

A household in which at least one member owns the dwelling in which the household members usually reside. Owners are divided into two categories – owners without a mortgage and owners with a mortgage. If there is any outstanding mortgage or loan secured against the dwelling the household is an owner with a mortgage. If there is no mortgage or loan secured against the dwelling the household is an owner without a mortgage.

Parenting payment

Includes Parenting Payment for both sole and partnered parents. Parenting payment is a component of social assistance benefits in cash.

Percentile

When all households or persons in the population are ranked from the lowest to the highest on the basis of some characteristic such as their household income, they can then be divided into equal sized groups. Division into 100 groups gives percentiles. The highest value of the characteristic in the tenth percentile is denoted P10. The median or the top of the 50th percentile is denoted P50. P20, P80 and P90 denote the highest values in the 20th, 80th and 90th percentiles. Ratios of values at the top of selected percentiles, such as P90/P10, are often called percentile ratios in analysing distributions. See also Percentile ratios.

Percentile ratios

Percentile ratios summarise the relative distance between two points in a distribution. To illustrate the full spread of the income distribution, the percentile ratio needs to refer to points near the extremes of the distribution, for example, the P90/P10 ratio. The P80/P20 ratio better illustrates the magnitude of the range within which the income of the majority of households falls. The P80/P50 and P20/P50 ratios focus on comparing the ends of the income distribution with the midpoint.

Pharmaceutical benefits

Includes social transfers in kind relating to pharmaceuticals provided outside of hospitals, aids and appliances used for health purposes and supplied in an ambulatory setting, glasses, hearing aids, wheel chairs, etc. Pharmaceuticals is a component of health benefits.

Preschool

Educational and developmental programs for children in the year (or in some jurisdictions, two years) before they begin full-time primary education.

Private dwelling

Houses, flats, home units, caravans, garages, tents and other structures that are used as places of residence. These are distinct from special dwellings which include hotels, boarding houses and institutions.

Private income

Current receipts from private organisations and other households, including wages and salaries, income from own unincorporated business, superannuation, workers' compensation, income from annuities, interest, dividends, royalties, income from rental properties, scholarships and child support. It also includes net imputed rent from owner occupied dwellings and subsidised private rentals.

Private landlord

See Landlord type.

Private Health Insurance Rebate

Includes social transfers in kind relating to a rebate on private health insurance costs for members of a registered health fund. Private Health Insurance Rebate is a component of health benefits. In 2003-04, the Private Health Insurance Rebate was a component of Community health services.

Quintiles

Groupings that result from ranking all households or people in the population in ascending order according to some characteristic such as their household income and then dividing the population into five equal groups, each comprising 20% of the estimated population. For further information see Appendix 1.

Reference person

The reference person for each household is chosen by applying, to all household members aged 15 years and over, the selection criteria below, in the order listed, until a single appropriate reference person is identified:

- the person with the highest tenure when ranked as follows: owner without a mortgage, owner with a mortgage, renter, other tenure
- one of the partners in a registered or de facto marriage, with dependent children
- one of the partners in a registered or de facto marriage, without dependent children
- a lone parent with dependent children
- the person with the highest income
- the eldest person.

Relative standard error (RSE)

The standard error expressed as a percentage of the estimate for which it was calculated. It is a measure which is

independent of both the size of the sample, and the unit of measurement and as a result, can be used to compare the reliability of different estimates. The smaller an estimate's RSE, the more likely it is that the estimate is a good proxy for that which would have been obtained if the whole population had been surveyed. For further information see Appendix 3.

Renter

A householder which pays rent to reside in the dwelling. See further classification by Landlord type.

School education benefits

Social transfers in kind relating to administration, inspection, support and operation of educational programs for preschool, primary and secondary school students. Government expenditure on the administration, inspection, support and operation of transportation services to students were included. Government expenditure on school medical and dental programs (which are included in other health benefits) and monetary transfers to households were excluded. School education is a component of education benefits.

Selected dwelling

The private dwelling selected in the sample for the survey.

Social assistance benefits in cash

Cash payments to persons from general government without any requirement to provide goods and services in return. Included are pensions and allowances received by aged, disabled, unemployed and sick persons, families and children, veterans or their survivors, and study allowances for students. Family Tax Benefit, Baby Bonus and Child Disability Assistance Payment paid to recipients of Carer Allowance are also included in social assistance benefits in cash. Household social assistance benefits in cash are the sum of all household members' cash payments. The only difference between 'government pensions and allowances' and 'social assistance benefits in cash' is that overseas pensions are included in government pensions and allowances and private income and excluded from social assistance benefits in cash.

Social security and welfare benefits

Includes social transfers in kind relating to the provision of goods and services to specific population groups with special needs. It includes expenditure on child care assistance (including the Child Care Benefit and Child Care Rebate), services for the aged, services for people with a disability etc. The category excludes expenditure on monetary transfers to Australian residents (see Social assistance benefits in cash).

Social transfers in kind

Non-cash benefits and services provided by the government to households for education, health, housing, social security and welfare, and electricity concessions and rebates. It includes reimbursements of approved expenditures such as the Medicare rebate, the Private Health Insurance Rebate, the Child Care Benefit and the Child Care Rebate. The cost of administering the provision of social assistance benefits in cash is included. For further information see Appendix 4.

Standard error

A measure of the likely difference between estimates obtained in a sample survey and estimates which would have been obtained if the whole population had been surveyed. The magnitude of the standard error associated with any survey is a function of sample design, sample size and population variability. For further information see Appendix 3.

State/territory housing authority

See Landlord type.

Taxes on income

Taxes on income is the sum of personal income tax plus the Medicare levy and Medicare levy surcharge for all members of the household. In this study, taxes on income were imputed according to the 2009–10 tax rules which were applied to the gross income of family members according to their characteristics as reported in the 2009–10 Household Expenditure Survey.

Taxes on production

Taxes on production and imports consist of taxes payable on goods and services when they are produced, delivered, sold, transferred or otherwise disposed of by their producers plus taxes and duties on imports that become payable when goods enter the economic territory by crossing the frontier or when services are delivered to resident units by non-resident units; they also include other taxes on production, which consist mainly of taxes on

the ownership or use of land, buildings or other assets used in production or on the labour employed, or compensation of employees paid. For further information see Appendix 5.

Taxes on production on alcohol beverages

Taxes on production on alcohol are excises on beer and drinkable spirits, GST, wine equalisation tax and all other taxes that are passed on from the process of production, delivery, transfer or sale of the alcohol.

Taxes on production on clothing and footwear

Taxes on production on clothing and footwear are the GST and all other taxes that are passed on from the process of production, delivery, transfer or sale of the clothing and footwear products.

Taxes on production on food and non-alcoholic beverages

Taxes on production on food and non-alcoholic beverages are the GST and all other taxes that are passed on from the process of production, delivery, transfer or sale of these items. Food and non-alcoholic beverages exclude meals out and fast food items.

Taxes on production on meals out and fast food

Taxes on production on meals out and fast food are the GST and all other taxes that are passed on from the process of production, delivery, transfer or sale of the meals out and fast food products.

Taxes on production on motor vehicle fuels

Taxes on production on motor vehicle fuel are excises on crude oil and petroleum products, petroleum product franchise taxes, excises on diesel fuel, LPG and other gas fuels, excises on petrol used during holidays in Australia, GST and all other taxes that are passed on from the process of production, delivery, transfer or sale of the product.

Taxes on production on motor vehicle purchase

Taxes on production on motor vehicle purchase are the GST, stamp duties and all other taxes that are passed on from the process of production, delivery, transfer or sale of motor vehicles.

Taxes on production on other goods and services

All taxes on production on goods and services allocated to households, other than those separately identified in respect of alcoholic beverages, clothing and footwear, food and non-alcoholic beverages, meals out and fast food, motor vehicle purchase, motor vehicle fuels, ownership of dwellings and tobacco products.

Taxes on production on ownership of dwellings

Taxes on production on the ownership of dwellings are taxes on the final consumption expenditure of residential accommodation dwellings that households own or rent. They include government rates and land taxes, the GST on new investment properties built or substantially renovated since the GST was introduced in July 2000, and other taxes on consumption expenditure that are passed on from the process of production, delivery, transfer or sale of dwellings. It is assumed that taxes on production are borne directly by owner occupiers, or passed on by landlords to tenants in higher costs.

Taxes on production on tobacco products

Taxes on production on tobacco are excises on tobacco products, GST and all other taxes that are passed on from the process of production, delivery, transfer or sale of tobacco.

Tenure type

The nature of a household's legal right to occupy the dwelling in which the household members usually reside. Tenure is determined according to whether the household owns the dwelling outright, owns the dwelling but has a mortgage or loan secured against it, is paying rent to live in the dwelling or has some other arrangement to occupy the dwelling.

Tertiary education benefits

Social transfers in kind relating to the administration, inspection, operation and support of education programs at higher education institutions and colleges of technical and further education. Tertiary education is a component of education benefits.

Total benefits

The total of social assistance benefits in cash and social transfers in kind allocated.

Total taxes

The total of taxes on income and taxes on production allocated.

Unemployed

Persons aged 15 years and over who were not employed during the week before the interview and had actively looked for full-time or part-time work at any time in the four weeks before the interview and:

- were available for work in the week before the interview
- were waiting to start a new job within four weeks from the interview and would have started in the week before the interview if the job had been available then.

Unemployment and student allowances

Includes Newstart Allowance, Youth Allowance, Sickness Allowance, Austudy/Abstudy and additional cash allowances such as rent assistance. Unemployment and student allowances are a component of social assistance benefits in cash.

Unincorporated business

A business in which the owner(s) and the business are the same legal entity, so that, for example, the owner(s) are personally liable for any business debts that are incurred.

Veterans' Affairs pensions

Pensions paid by the Department of Veterans' Affairs. Includes service, disability and war widow pension as well as additional allowances such as rent assistance. Veterans' Affairs pensions are a component of social assistance benefits in cash.

Wages and salaries

An employee's total remuneration, whether monetary or in kind, received as a return to labour from an employer or from a person's own incorporated business. It comprises wages and salaries, bonuses, amounts salary sacrificed, non-cash benefits such as the use of motor vehicles and subsidised housing, and termination payments.

Wealth

See Net worth.